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REVENUE REVIEW

Quarterly
Revenue Report
for the
State of
Michigan

AUGUST 2001

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TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>3rd Qtr FY 1999-2000</u>	<u>3rd Qtr FY 2000-01</u>	<u>3rd Qtr % Change</u>	<u>YTD %</u>
\$5,034.3 million	\$4,642.0 million	-7.8%	-4.2%

Revenue collections for third quarter (May–July) fiscal year (FY) 2000-01 were \$392.3 million or 7.8% lower than third quarter FY 1999-2000 collections. Revenue growth was below the 2.5% decline posted in the first two quarters. Revenue for fiscal year-to-date (FYTD) totaled \$14.7 billion—down \$646.6 million or 4.2% from the first three quarters of FY 1999-2000.

INCOME TAX (NET)

<u>3rd Qtr FY 1999-2000</u>	<u>3rd Qtr FY 2000-01</u>	<u>3rd Qtr % Change</u>	<u>YTD %</u>
\$1,708.3 million	\$1,582.2 million	-7.4%	-8.8%

Income tax revenue consists of three components—withholding, annual payments, and quarterly payments. Withholding payments are based on workers' earnings and make up almost 80% of total income tax collections. Annual and quarterly payments are based on self-employment earnings and other income sources, such as capital gains.

Net income tax collections, which include income tax refunds, for third quarter FY 2000-01 were \$126.1 million or 7.4% lower than third quarter FY 1999-2000 collections. Withholding payments posted a 0.6% decline; quarterly and annual payments were down 35.5%; income tax refunds were down 7.2%. Net income tax collections for FYTD totaled \$5.0 billion—down \$484.1 million or 8.8% from the first three quarters of FY 1999-2000.

SALES AND USE TAXES

<u>3rd Qtr FY 1999-2000</u>	<u>3rd Qtr FY 2000-01</u>	<u>3rd Qtr % Change</u>	<u>YTD %</u>
\$2,034.5 million	\$1,996.7 million	-1.9%	0.0%

Sales tax collections are derived from the sale of taxable items such as motor vehicles, furniture, apparel, food consumed at restaurants, and other general merchandise. The Use tax is applied to telephone services, leased motor vehicles, hotels and motels, gas and electric utilities, and remote sales.

Sales and Use tax collections for third quarter FY 2000-01 were \$37.8 million or 1.9% lower than the year-ago quarter. Sales and Use tax collections for the third quarter contrasted with the first two quarters which posted a 1.0% increase. Sales and Use tax collections for FYTD totaled \$5.7 billion—down \$2.7 million from the first three quarters of FY 1999-2000.

SINGLE BUSINESS AND INSURANCE TAXES

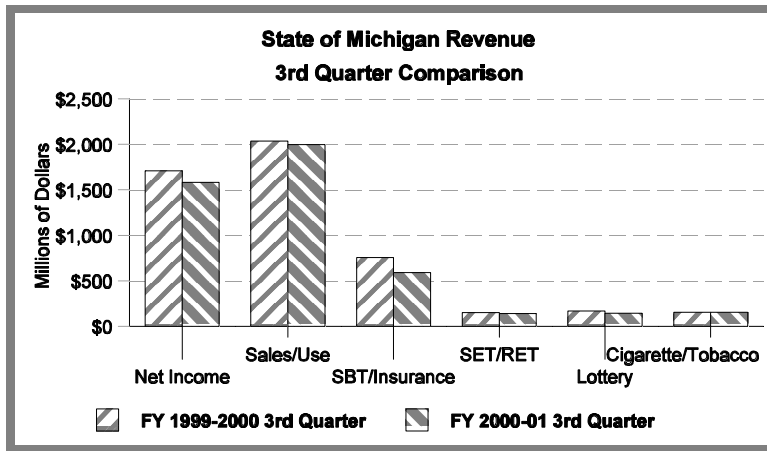
<u>3rd Qtr FY 1999-2000</u>	<u>3rd Qtr FY 2000-01</u>	<u>3rd Qtr % Change</u>	<u>YTD %</u>
\$755.3 million	\$589.6 million	-21.9%	-8.4%

Single Business and Insurance taxes are applied to the value added of business activities. Two key components of the Single Business tax (SBT) base are profits and wages. For third quarter FY 2000-01, Single Business and Insurance tax collections were \$165.7 million or 21.9% below the year-ago third quarter. The sharp negative growth in the third quarter was a marked change from the 0.4% increase posted in the first two quarters of FY 2000-01. Some of the SBT weakness is due to the rate reduction from 2.2% in 1999 to 2.1% in 2000 and 2.0% in 2001. Single Business and Insurance tax collections for FYTD totaled \$1.8 billion—down \$160.8 million or 8.4% from the first three quarters of FY 1999-2000.

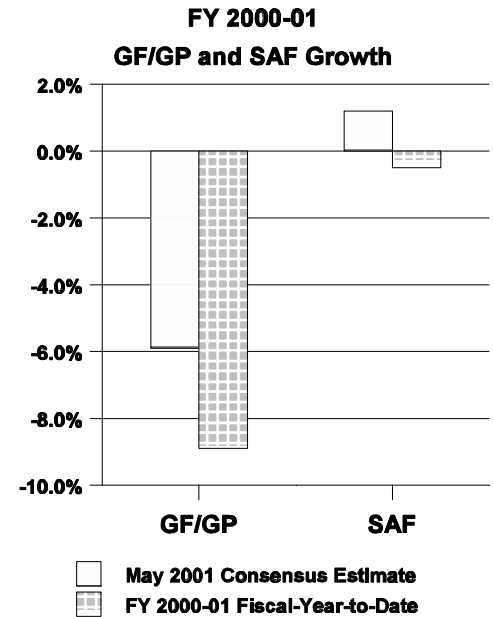
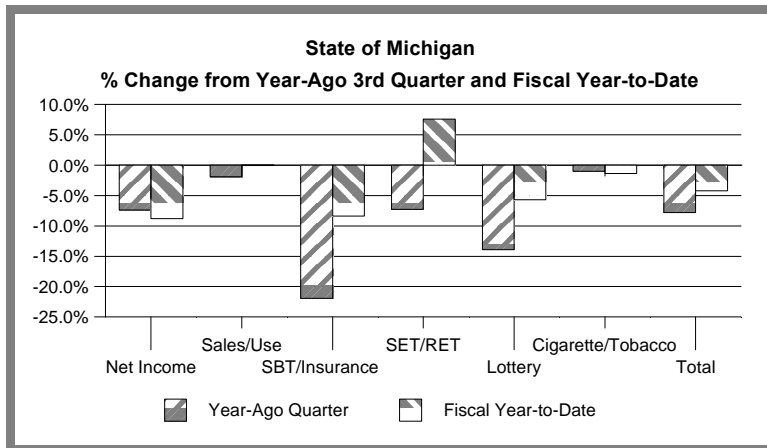
OTHER REVENUE

<u>3rd Qtr FY 1999-2000</u>	<u>3rd Qtr FY 2000-01</u>	<u>3rd Qtr % Change</u>	<u>YTD %Change</u>
\$536.2 million	\$473.6 million	-11.7%	0.0%

Other revenue—which includes primarily the State Education Tax (SET), the Real Estate Transfer (RET) tax, the Cigarette/Tobacco tax, and revenue from the Lottery—for third quarter FY 2000-01 was down \$62.6 million or 11.7% from the third quarter of FY 1999-2000. Other revenue for FYTD totaled \$2.2 billion—up \$1.1 million or 0.0% from the first three quarters of FY 1999-2000.



*Continued economic weakness
was reflected
in all major taxes.*



Revenue Quarterly Review: 3rd Quarter (May-July) FY 2000-01 (Millions of Dollars)

Revenue	FY 2000-01 3rd Qtr	Percent Change From Year-Ago 3rd Qtr	FY 2000-01 Year-to-Date	Change From Previous Fiscal Year-to-Date		FY 2000-01 Consensus Forecast Growth
				Dollar	Percent	
Annual Income Tax	\$68.0	-58.6%	\$643.1	(\$95.3)	-12.9%	-12.8%
Quarterly Income Tax	177.6	-17.9%	592.2	(62.2)	-9.5%	-3.3%
Withholding	1,579.7	-0.6%	5,022.6	(160.0)	-3.1%	-1.9%
..... Subtotal	1,825.3	-7.4%	6,257.9	(317.5)	-4.8%	-3.0%
Income Tax Refunds	243.2	-7.2%	1,242.9	166.6	15.5%	4.4%
..... Net Income Tax	1,582.2	-7.4%	5,015.0	(484.1)	-8.8%	-4.4%
Sales Tax	1,647.4	-0.8%	4,731.2	23.5	0.5%	2.1%
Use Tax	349.3	-6.5%	976.8	(26.2)	-2.6%	-1.3%
..... Subtotal	1,996.7	-1.9%	5,708.0	(2.7)	0.0%	1.5%
Single Business Tax	542.1	-23.2%	1,617.5	(151.5)	-8.6%	-9.1%
Insurance Tax	47.5	-3.3%	139.2	(9.3)	-6.3%	-2.0%
..... Subtotal	589.6	-21.9%	1,756.7	(160.8)	-8.4%	-8.6%
Inheritance/Estate Tax	25.4	-44.8%	115.8	(10.8)	-8.5%	4.3%
Cigarette/Tobacco Tax	151.4	-1.0%	439.8	(6.1)	-1.4%	-2.1%
Lottery	144.4	-13.9%	492.2	(29.8)	-5.7%	-3.0%
Industrial/CommFacility Taxes	12.5	-32.8%	95.9	(27.0)	-21.9%	-14.8%
Real Estate Transfer (RET) Tax	63.0	5.5%	182.5	2.2	1.2%	-2.0%
State Education Tax (SET)	76.9	-15.7%	877.4	72.5	9.0%	5.9%
..... Subtotal	473.6	-11.7%	2,203.7	1.1	0.0%	1.0%
TOTAL	\$4,642.0	-7.8%	\$14,683.3	(646.6)	-4.2%	-1.9%

NOTE: All year-to-date revenue, except for Lottery, is accrued.